

Rise of China and Its Impact on the World Order

Atulya Anand¹, Shalini Saxena²

¹Student, Amity Institute of Social Sciences

²Doctorate, Amity Institute of Social Sciences

Abstract

China's economic rise and military modernization are fundamentally altering the global order (HAROLD BROWN, , JOSEPH W. PRUEHER, & ADAM SEGAL, 2003). This paper investigates the multifaceted impact of China's ascension. It analyzes its economic transformation, from a closed economy to a manufacturing powerhouse, and the impact of initiatives like the Belt and Road Initiative on global trade. The paper then examines China's significant investments in military modernization and its implications for regional and global security. It further explores how China's growing power is reshaping the international order, including its engagement with established institutions and the creation of alternative frameworks. Finally, the paper analyzes the emergence of alliances like the Quadrilateral Security Dialogue as a potential counterweight to China's growing influence. By examining these developments, this paper aims to provide a nuanced understanding of the challenges and opportunities that China's rise presents for the international community.

Keyword: Balance of power, Containment, International Order, Security Apparatus.

Introduction

In the past few decades, the world has witnessed a seismic shift in the balance of power with the dramatic rise of China. This ascension has transcended the economic sphere, with China's growing military might and strategic ambitions posing a significant challenge to the established international order. This research paper delves into the multifaceted impact of China's rise, meticulously analyzing its economic transformation, its pursuit of military modernization, and its role in reshaping global power dynamics.

The paper will commence by exploring the economic reforms that catapulted China from a closed economy to a global manufacturing powerhouse. We will examine how China's integration into the international economic system, facilitated by initiatives like the Belt and Road Initiative (BRI), has fundamentally altered global trade patterns and investment flows.

Furthermore, the paper will investigate China's significant investments in military modernization. We will analyze the expansion of its defense budget, its focus on acquiring advanced weaponry and nuclear capabilities, and the implications of this growth for regional and global security.

The research will then explore how China's growing stature is reshaping the existing international order. We will examine China's engagement with established international institutions and its role in creating alternative frameworks like the Shanghai Cooperation Organization (SCO). Additionally, the paper will analyze how China's assertive territorial claims and its "debt-trap diplomacy" are creating friction with neighboring countries, particularly in the Indo-Pacific region.

Finally, the paper will investigate the emergence of countervailing forces in response to China's rise. We will analyze the formation of alliances like the Quadrilateral Security Dialogue (QUAD) comprised of the United States, India, Japan, and Australia, and their potential role in maintaining a "free and open Indo-Pacific" region.

By comprehensively examining these various facets of China's rise, this research paper aims to provide a nuanced understanding of the complex challenges and opportunities it presents for the international community. Through rigorous analysis, the paper seeks to contribute to the ongoing discourse on how the world can navigate this new era characterized by China's growing influence.

Economic liberalization

China had a "closed curtain" economic policy, but it adopted an "open door" policy after the economic reforms in 1979. China had complete centralized and state control over its economy, after financial reforms. China made two distinct changes to its economic system i.e., internal changes- like marketization and privatization leading to a decline in the state-owned enterprise. And the adoption of a formal bidding system which gave the investors the right to decide their area of investment. Originally, fixed assets investment ownership in China is classified into 3 – state-owned, collective, and individual. However, after its economic liberalization, its private investment ownership was divided into furthermore – individual, Joint ownership, shareholding units, foreign fund units, and overseas Chinese fund units, which led to a decline in state-owned enterprises by 25% between the 1980s to 1990s. Three-tier bank structure was also established namely- policy banks, state-owned commercial banks, and commercial (corporate, regional, and nonstate-owned).

External financial liberalization led to the establishment of two stock exchanges namely- the Shanghai Stock Exchange, and the Shenzhen Stock Exchange in December 1990. Which led to a huge inflow of foreign direct investment from international financial institutions like the IMF and the World Bank. China established special economic zones along its coastal provinces which helped her raise investment for infrastructural development in her impoverished provinces. At the same time due to the contemporary geopolitical situation in the early 1980s and 1990s, most of the developed nations of the West especially the USA were supportive of China's economic liberalization process. Because they saw China as the destination for cheap labor and established manufacturing units of Western corporations in China.

Since, its financial liberalization in the 1980s, China got rid of its perverse tax and tariffs regime, which helped it to increase its exports to the USA, EU, and other regional Asian economies. For instance, China's share in the import of advanced Western economies has risen significantly, especially in Japan, the EU, and the USA. Therefore, China's integration into the World Economic system was a landmarked shift. Because of China's asymmetric increase in the sophisticated means of production and manufacturing. It helped China to integrate into the regional economy of its Asian neighbors and major destination of import for developing nations and developed nations of Asia and South Asia like the USA, UK, India, Japan, and South Korea.

The Rise of China's Hard Power

After the advent of Xi Jinping as the president of the PRC (people's Republic of China), he propounded the national strategy "The Great Rejuvenation of Chinese Nation. (Erickson, Comparative Grand Strategy: A Framework and Cases, 2019)" He advocated for military modernization by 2049, which is aimed at being a direct strategic competitor of the USA. He aspires to integrate Taiwan into China till 2030. Since

Xi took over, he has been hostile to international institutions that are dominated by the Western world, especially the USA. Xi Jinping is determined to make concentrated efforts to change the International World Order in favor of the PRC. He has been an open critic of the USA's policy of containment against the "peaceful rise of China," which would hinder the rise of China as a potential World Leader or supposedly a regional hegemon.

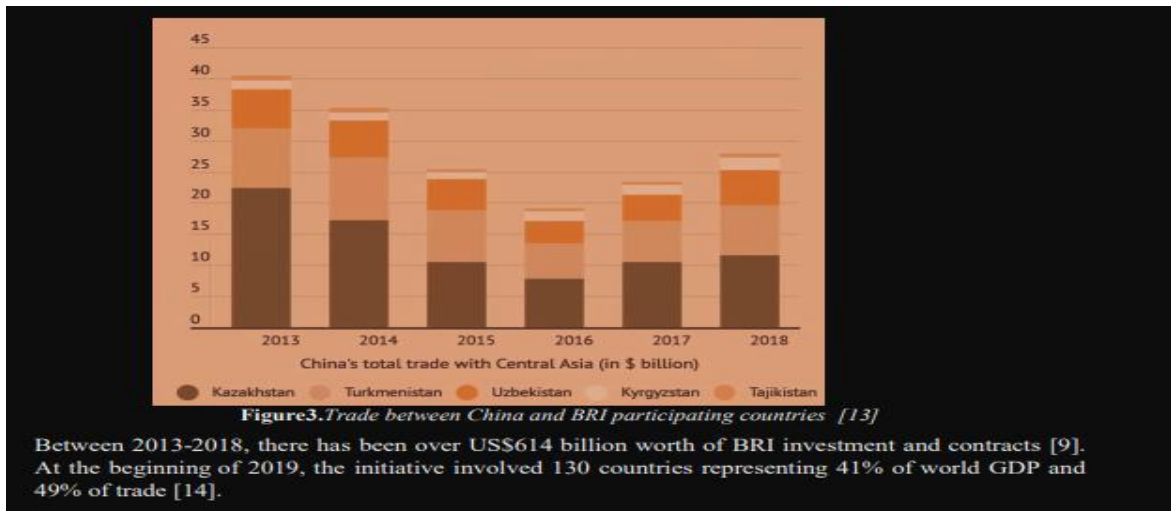
PRC regards the USA as its long-term strategic competitor (mearsheimer, 2001). Hence, the PRC has been making a concentrated effort to match the hard power capabilities of the USA. Emphasizing on development of programs like – The People's Liberation Army Rocket Force (PLARF) aimed at developing ICBM-induced nuclear capabilities to ensure deterrence capabilities against its adversary. Strategic Support Force (SSF) is a command theater-level organization aimed at integrating cyberspace, information, electronic, communication, and warfare capabilities. China has also placed much emphasis on Civil-Military fusion programs to enhance its nuclear capabilities. It has increased its defense budget to 231 billion US dollars, aimed at adopting future technology like AI and Quantum Computing in modern-day warfare. The PLA is pursuing next-generation combat capabilities based on its vision of future conflict, which it calls "intelligent zed warfare," defined by the expanded use of AI and other advanced technologies at every level of warfare.

Thus, the rising hard power capabilities of China may not be able to match the capabilities of the USA. Still, certainly, it could function as an able deterrent against any potential threat. It is quite evident from China's engagement with the rest of the world, where it is a force to reckon with.

China's Engagement: With the World

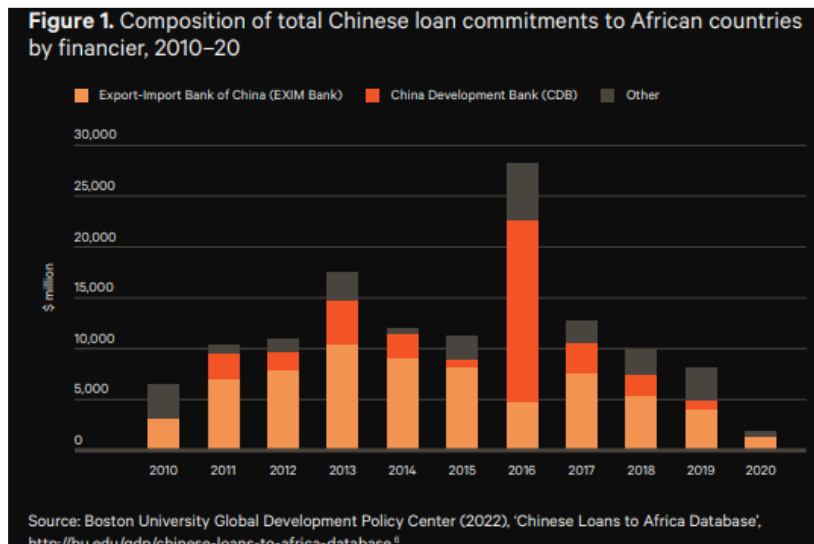
1. Belt and Road Initiative

China launched BRI, also known as One Belt One Road in 2013. It is a policy that is aimed at reviving the ancient Silk Trade route aimed at connecting China to Europe (via Central Asian countries like Kazakhstan, Kyrgyzstan, and others), the Persian Gulf, the Mediterranean (by West Asia), and the Indian Ocean (by South Asia)- aspire to construct 21st-century maritime trade route envisioned to create trade relationship among regional waterways (jennifer hillman & david sacks, mar23, 2021). This initiative aftermath of its advent had 64 signatories but in 2023 it had more than 100 partner nations to collaborate with change. However, there have been instances of some signatory nations like Italy opting out of this initiative in 2023. Since BRI's inception, China's foreign direct investment into signatories' nations has increased significantly. For instance- China's FDI in Central Asian nations like Kazakhstan, Tajikistan, and Kyrgyzstan amounts to around 63 billion us dollars. Surpassing the investment of Russia and the USA in the region, rapidly shifting the balance of power in the region in favor of China.



2. China’s approach to African debt relief-

China has been significantly investing in the African continent. China’s investment in the past 22 years has made it the largest trading partner of the African continent with trade amounting to 282 billion dollars. China’s investment has led to a great infrastructure boom in the region be it, transportation projects, energy grids, and others. It has also invested heavily in resource-extraction projects creating a reliable supply chain for sustaining the Chinese economy. China has also set up manufacturing units in Africa, which certainly helps to create jobs and employment opportunities. Since 2010 African nations have doubled their foreign debt amount to 65% of their total GDP out of which China’s debt accounts for 12% of the total debt. After the havoc created by the COVID-19 pandemic African nations are experiencing great economic distress, which certainly worries the Chinese investors. China’s Direct foreign investment in Africa peaked in 2016, and since then it has declined leading to a shift in the investment strategy of the Chinese from merely profit-making to advancing its Geo-strategic calculations and claims. Shift in investment depending on geo-strategic locations and their political context. For instance- China has built a naval base in Djibouti, which is a geo-strategic choke point in the Horn of Africa, popularly known as the Bab El-Mandeb Strait. The total cost of this project is around 590 million dollars which is capable of hosting Chinese warships deployed in the Indian Ocean region.



3. China's Engagement in Asia –

Due to the rise of China as an economic powerhouse, it has managed to integrate itself with its regional Asian economy (S.G. Goodman & Gerald Segal, 1994). Especially developing or least developed nations like Pakistan, Bangladesh, Myanmar, Maldives, Sri Lanka, Bhutan, and at the same time despite some differences it has managed to economically integrate itself with developed nations of Asia like Japan, South Korea, and others. China has managed to create a great level of dependence amongst its regional neighbors especially the least developed or developing nations in the region by luring them into debt trap diplomacy. China has become the biggest trading partner with nations like Bangladesh, and Sri Lanka and the second biggest partner with nations like India, Nepal, Japan, and Maldives. China has increased its foreign direct investment also led to improved infrastructure projects in South Asia aimed at fulfilling the ambitious project of BRI. China is becoming a major player in Asia with an aspiration to dominate the region. Now, especially in South Asia smaller nations in the region are reckoning China as a nation with a plan for development in the region against, the USA which is locally viewed as motivated to pit local elites up against each other to advance its strategic interest in the region. However, China's aggressive debt trap diplomacy and assertive territorial claims have cautioned major regional players in Asia like – India, Japan, and South Korea against the assertive and coercive influence of the Chinese in the region.

China's Challenge to India:

The animosity between India and China is quite historical, it dates back to 1962 and since then there have been several skirmishes across the border. China poses a great threat to India's growing strategic interest in the region. Though China is not the only threat to India's sovereignty and territorial integrity Pakistan remains a troublemaker for India by perpetuating cross-border terrorism. But China is the biggest threat to India and poses 3-fold problems to India: -

- **Direct military Threat-** China and India have some historical baggage to carry forward. India has some troubled memories of the 1962 war and recently in 2020, the Galwan crisis is still fresh in the minds of Indian policymakers. Along with its assertive territorial claims at the India-China-Bhutan trijunction (Doklam standoff). However, China has a slightly higher (2 million) as compared to India's foot soldiers (1.45 million). China's infrastructure push along the Sino-Indian border is alarming. This forced India to go for an infrastructure push along its borders to ease the movement of its troops along the Sino-Indian border. China's military modernization and its extra-territorial claims in the South China Sea have made other regional players in Asia play a realist hard nose with China to protect the regional balance of power.
- **China's influence in international institutions** – China continues to obstruct India's foreign policy objectives on the Global high table. For instance, the objection of China to including India as a P5 member of the UNSC, obstructing India's accession to the Nuclear Suppliers Group in 2016, or it is constant criticism of the Indian policymakers on the issues of POK and other such instances. On the other hand, China has also established institutions like the Asian Development Bank to exert its influence through debt financing in the closed vicinity of India.
- **China's role as an external balancer-** China has great strategic objectives to play as an external balancer in the region. China is dedicated to supporting its all-weather friend Pakistan at all levels be it- nuclear proliferations or perpetuating cross-border against India. Pakistan has always been a time-tested ally for China to exercise the regional balance of power to hinder the growing influence of India

in the region. The rise in the economic muscles of China helped it exert external influence in the region to tilt the balance of power against India's growing influence.

Imagination of QUAD:

Quad was conceived in 2007 and aimed at the role of regional balancer in the Indo-Pacific. Predicting the growing vulnerabilities of rule-based world order in the region and exercising the policy of free and open Indo-Pacific for navigation (Smith, may 27, 2021). Since then, China has been an open critic of QUAD in the region. China perceived QUAD as a policy of containment against them in the region. QUAD consists of four members, and they are- the USA, India, Australia, and Japan to maintain the balance of power in the region. Though member states have not formally announced it, formal military alliances ensure to maintenance of an international rule-based world order and are free from all forms of military, economic, and political coercion (informally aimed at China).

QUAD has a 2-fold objective:

- **Maritime Security**- All 4 members of QUAD have been dedicated to maritime security in the region. Recently there have been increased efforts by QUAD member nations to increase collective efforts in raising maritime awareness among small islands like the Philippines and others (Wei, 04 dec, 2022). There have also been concentrated efforts in disaster relief campaigns and anti-piracy campaigns. Along with it, QUAD members other than India have been quite vocal against China's assertive claims in the South China Sea and aspire to collaborate with other smaller nations to promote the objective of a free and open Indo-Pacific.
- **Strengthening security coordination** – Till now QUAD has not formally announced itself as a formal collective security apparatus in the region. However, it has started a joint naval military drill to increase constructive collaboration among its member nations. Especially nations like Japan which has played a pivotal role in reviving the QUAD again in 2017. Additionally, the USA has also initiated and strengthened its effort to form institutions like AUKUS as joint intelligence sharing and collective security apparatus in the region (Wei, 04 dec, 2022). Therefore, it is emerging as an evolving threat to China's ambition in the region. Probably a NATO-like alliance or a more loosely winded regional security alliance to deter China from dominating the Indo-Pacific.

CONCLUSION

The dramatic rise of China has fundamentally reshaped the global order, presenting a complex web of challenges and opportunities for the international community. This paper has meticulously examined the multifaceted impact of China's ascension, analyzing its economic transformation, military modernization, and its role in reshaping global power dynamics.

China's economic prowess offers undeniable benefits. Its integration into the global economic system has facilitated international trade and fueled global growth. Initiatives like the Belt and Road Initiative, while raising concerns about debt burdens, have the potential to unlock new avenues for infrastructure development and economic cooperation across vast regions. However, navigating this new economic landscape necessitates a critical approach. China's growing economic influence demands a reassessment of existing trade agreements and a commitment to upholding fair and transparent trade practices. Developed nations must work collaboratively to ensure that developing countries are not caught in a "debt trap" or exploited by predatory lending practices.

China's pursuit of military modernization presents a significant challenge to the established security architecture. The rapid expansion of its military budget, coupled with its focus on acquiring advanced weaponry and nuclear capabilities, raises concerns about an arms race and potential regional instability (HAROLD BROWN, , JOSEPH W. PRUEHER, & ADAM SEGAL, 2003). Fostering dialogue and transparency in military exercises, along with establishing clear communication channels for crisis management, are crucial steps towards mitigating these risks. The international community must also work towards strengthening international norms and arms control treaties to prevent the proliferation of advanced weaponry.

The rise of China compels a reevaluation of the existing international order. While China's engagement with established institutions like the World Trade Organization has been instrumental in its economic rise, its selective participation in institutions dealing with security or human rights raises concerns about its commitment to a rules-based world order (mearsheimer, 2001). The international community must collectively re-examine the existing frameworks and consider potential reforms to ensure inclusivity and effectiveness in addressing global challenges. China's parallel efforts to create alternative frameworks like the Shanghai Cooperation Organization highlight its aspirations for a more multipolar world order. While this shift has the potential to diversify global power dynamics, it necessitates fostering dialogue and cooperation between established and emerging power structures to prevent the fragmentation of the international order.

The emergence of alliances like the Quadrilateral Security Dialogue (QUAD) reflects the complex geopolitical landscape in the Indo-Pacific region. While the stated objective of the QUAD is to promote a "free and open Indo-Pacific," some perceive it as a potential counterweight to China's growing influence. The success of such alliances hinges on fostering a framework of cooperation that transcends military considerations. Collaborative efforts in areas like disaster relief, maritime security, and infrastructure development can help build trust and promote regional stability.

In conclusion, China's rise presents a defining moment for the international community (mearsheimer, 2001). Navigating this new era requires a multifaceted approach. Fostering economic cooperation alongside ensuring fair trade practices is crucial. Addressing security concerns necessitates transparency in military exercises and strengthening international norms. Reassessing the established international order and fostering dialogue between established and emerging power structures is essential. Finally, forging collaborative partnerships that promote regional security and address global challenges can pave the way for a more peaceful and prosperous future for all. The world is no longer a static chessboard; it is a dynamic game requiring strategic maneuvering and a commitment to cooperation to ensure that China's rise translates into a win-win scenario for the entire global community.

References

1. *1971 India Pakistan War: Role of Russia, China, America and Britain*. (n.d.). Retrieved 7 30, 2022, from <http://www.theworldreporter.com/2011/10/1971-india-pakistan-war-role-of-russia.html>
2. Erickson, A. S. (n.d.). *Comparative Grand Strategy: A Framework and Cases*.
3. Erickson, A. S. (2019). *Comparative Grand Strategy: A Framework and Cases*. : Oxford University Press.
4. HAROLD BROWN, , JOSEPH W. PRUEHER, & ADAM SEGAL. (2003). *Chinese military power*. the Council on Foreign Relation.
5. jennifer hillman, & david sacks. (mar23, 2021). *China's Belt and Road*. council on foregin relations.

6. mearsheimer, j. (2001). *The Tragedy of Great Power Politics*. W.W. Norton & Company.
7. S.G.Goodman, D., & Gerald Segal. (1994). *China Deconstructs*. Taylor & Francis e-Library.
8. Smith, S. A. (may 27, 2021). The Quad in the Indo-Pacific: What to Know.
9. Wei, Z. (04 dec, 2022). The evolution of the 'QUAD': driving forces, impacts, and prospects. 288-304.

10. Other sources
11. <https://www.worldbank.org/en/country/china> - The World Bank offers a detailed report on China's economic transformation, outlining the shift from a closed to an open economy.
12. <https://carnegieendowment.org/programs/asia/china> - This article by Arvind Subramanian in the Carnegie Endowment for International Peace discusses China's economic reforms and its impact on global trade.
13. <https://www.cfr.org/belt-and-road-initiative> - The Council on Foreign Relations offers an analysis of the Belt and Road Initiative's potential benefits and drawbacks.
14. https://www.brookings.edu/wp-content/uploads/2019/11/FP_20191119_china_se_asia_stromseth.pdf - The Council on Foreign Relations examines the impact of China's rise on Southeast Asia.
15. <https://www.cfr.org/report/us-china-relations> - The Council on Foreign Relations offers insights into the current state of US-China relations, a crucial factor in the evolving global order.
16. <https://www.brookings.edu/articles/dont-forget-curriculum/> - The Brookings Institution discusses the potential revival and significance of the QUAD.